

*Prime Minister.**A.C. 7/4.*PM/84/58PRIME MINISTERIran/Iraq

1. You may wish to have a progress report on our contingency planning arrangements, particularly as they affect our contacts with the Americans.

/ 2. I enclose a copy of a report by Richard Luce on his discussions in Washington on 19 and 20 March. This account, and the separate comments from Sir Oliver Wright in Washington telegram No 986, which you have already seen, show that the visit proved timely and was very well received by the Americans. Richard Luce was able clearly to register our concern that the Americans should not rush into hasty or excessive military action should there be any further escalation of the conflict, while reaffirming that we are ready to play our part in whatever efforts may be needed to contain and dissipate any crisis. He also made the point that the West needed to ensure that the purpose of any military action was not misunderstood by the Soviet Union. Mr Shultz said that he had already spoken to Dobrynin about this.

3. Richard Luce identifies a number of particular points on which we need further detailed discussions at official level with the Americans. These include:

- (a) the handling of contacts with Gulf States, all of whom are worried about US insensitivity in the handling of any crisis;
- (b) the need to explore fully all possibilities for action at the United Nations (where the Americans are less ready than ourselves to acknowledge that some action will be necessary) if only to pre-empt the activities of less well-disposed countries;



- (c) the need to ensure that all diplomatic options are thoroughly explored before recourse to military action;
- (d) the need for a clear understanding on rules of engagement, and on the circumstances in which it might be necessary to consider counter-action against Iranian forces and/or territory;
- (e) the extent to which there is a need for joint - or as we would prefer - separate but co-ordinated planning of naval operations, especially the protection of merchant shipping.

These points will be taken up at a meeting with US State department and DOD officials in London next week. (We pressed for talks on 3 or 4 April, but those dates unfortunately proved unacceptable to the Americans.)

4. In addition I believe officials should look particularly carefully at those contingencies in which the Iranian response is more concerned with terrorism or subversion against one or more Gulf states than with closing the Straits. From all I have heard, this seems to be at least as likely a reaction on their part. By the same token, the less that is said publicly about a possible closure of the Straits the better: we do not want unnecessarily to alarm public opinion, nor do we want to give the Iranians a pretext for intemperate action.

5. I shall of course let you know how these discussions progress. In the meantime, any comments you or other colleagues may have on the points to be discussed with the Americans would be welcome. The Annex takes stock of other action in hand.

6. I am copying this minute to colleagues on OD(EM).



- (iv) With NATO. We have proposed to the Americans that it would be useful to hold a discussion among Permanent Representatives in NATO and are pressing them for a reply.

- (v) Oil Supplies. FCO and the Department of Energy are reviewing the extensive contingency planning already done on this subject.